

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE APPLICATION OF THE)	
FUEL ADJUSTMENT CLAUSE OF KENTUCKY)	CASE NO. 92-493-C
UTILITIES COMPANY FROM NOVEMBER 1,)	
1993 THROUGH APRIL 30, 1994)	

O R D E R

Pursuant to Administrative Regulation 807 KAR 5:056, Section 1(11), the Commission on August 5, 1994 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of Kentucky Utilities Company ("KU") for the 6 months ended April 30, 1994. After discovery and the submission of written testimony,¹ a public hearing was held in this matter on January 24, 1995. At issue was KU's compliance with Administrative Regulation 807 KAR 5:056 in the operation of its FAC.²

¹ The Commission permitted the Attorney General and Kentucky Industrial Utility Customers to intervene as parties to this proceeding

² In its Order of August 5, 1994, the Commission ordered KU to show cause why "it should not be required to charge off and amortize by means of a temporary decrease of rates, the proceeds which KU received from the rental and sale of the 126 rail cars which were used to transport coal from the Coal Ridge Mine to KU's Ghent Generating Station." This issue has since been addressed in another proceeding. See Case No. 92-493, an Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 1990 to October 31, 1992 (Jan. 2, 1997).

The Commission has previously established KU's base fuel cost at 12.97 mills per KWH.³ A review of KU's monthly fuel clause filings shows that the actual fuel cost incurred for the 6-month period under review ranged from a low of 12.68 mills per KWH in December 1993 to a high of 13.44 mills per KWH in January 1994, with a 6-month average of 12.94 mills per KWH.

In its Order establishing this proceeding, the Commission ordered KU to present evidence on the appropriateness of its current depreciation practices for rail cars. In December 1991, KU acquired 150 railcars at an installed cost of \$7,647,232. It began depreciating these cars at an annual rate of 5 percent based upon a 15 year service life.⁴ A depreciation study which KU commissioned in 1993, however, recommended a depreciation rate of 4.59 percent.⁵ KU implemented the recommended depreciation rate on January 1, 1994.⁶ KU's actions are consistent with generally accepted accounting principles.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds no evidence of improper calculation or application of KU's FAC charge or improper fuel procurement practices.

³ Case No. 92-493, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 1990 to October 31, 1992 (Apr. 5, 1993) at 6, aff'd Case No. 92-493 (Jan. 2, 1997) at 21.

⁴ Direct Testimony of Michael D. Robinson at 21.

⁵ Deloitte & Touche, Kentucky Utilities Company: Book Depreciation Study as of December 31, 1992 (Nov. 1993).

⁶ Direct Testimony of Michael D. Robinson at 22.

IT IS THEREFORE ORDERED that the charges and credits billed by KU through its
FAC for the period November 1, 1993 to April 30, 1994 are approved.

Done at Frankfort, Kentucky, this 4th day of March, 1997.

PUBLIC SERVICE COMMISSION

Linda K. Breathitt
Chairman

Elmer J. Hines
Vice Chairman

B. J. Heston
Commissioner

ATTEST:

Don Mills
Executive Director